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Iran and the Superpowers in the Gulf

Special National Intelligence Estimate

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The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and Treasury.

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The Director of Naval Intelligence, Department of the Navy

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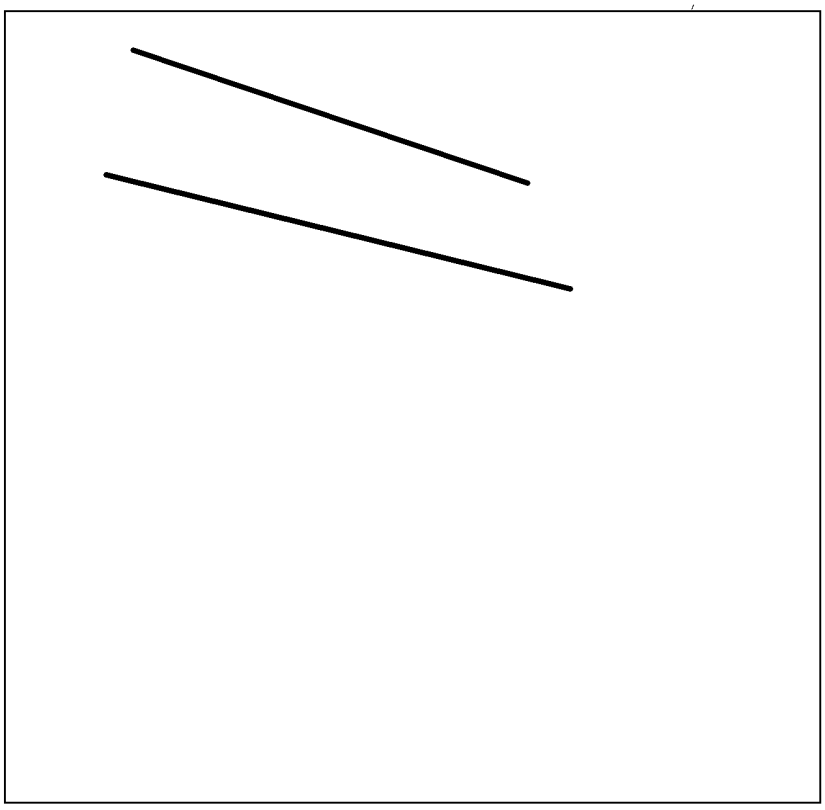

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IRAN AND THE SUPERPOWERS IN THE GULF

Information available as of 18 June 1987 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on 19 June 1987.

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SCOPE NOTE

This Estimate focuses on Iranian intentions toward the United States and the Soviet Union in the Gulf over the next six months to a year. The Estimate assesses not only the probable *immediate* actions Iran will take in an effort to head off the proposed US protection for Kuwaiti shipping, but also the probable Iranian strategy once the reflagging project is implemented. Included is a discussion of the role of *Iraqi* actions in Iran's decisionmaking. It does *not* attempt to assess US ability to defend against Iranian actions or the ultimate effectiveness of Iranian actions.

The Estimate addresses the probable reactions of Saudi Arabia, Kuwait, and the other Gulf Cooperation Council states to increased US involvement in the Gulf at various stages of rising tensions. Also assessed is the impact of the shipping war and the probable impact of potential Iranian actions on the free flow of oil. The effect of potential superpower actions on the course of the Gulf war is also noted.

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KEY JUDGMENTS

The risks of a US-Iranian military incident in the Gulf have risen and will increase further when the US protection of Kuwaiti ships begins. The level of superpower activity and pressure thus far in the Gulf is unlikely to deter Iran from attacks directed against US-flag ships or other US interests in the Gulf. We believe Iran prefers to persuade the superpowers and Kuwait to back down short of a military clash. Iran is acutely aware of concerns in the United States and the Gulf about expanding superpower involvement. Tehran is prepared for confrontation if, in its perception, other measures prove inadequate to force the United States to back down.

Iran will not indiscriminately attack US and USSR targets but will try to use terrorism, sabotage, and military action selectively to serve its broader objectives. The longer the superpowers' protective measures remain in force, the more likely Iran will attempt to increase the cost. Tehran will most likely use the blend of terrorism, diplomatic maneuvers, and conventional attacks to have maximum effect on government and popular opinion in the United States, Europe, the USSR, and the Gulf states. Iran is unlikely to directly attack a foreign warship.

Another major factor in any Iranian decision to attack superpower interests will be Iraqi action: Iraqi attacks against Iranian targets in the Gulf are likely to trigger retaliatory Iranian strikes against Iraq and the interests of its perceived allies, particularly Kuwait and including the United States and the Soviet Union. Iranian policy has been consistent in trying to separate the shipping war in the Gulf from its land war against Iraq. So long as Iraq refrains from attacks on Iranian tankers and associated oil export facilities, we believe Tehran will be less likely to provoke clashes with other parties in the Gulf. Tehran clearly would see a cessation of military action in the Gulf as a major victory, allowing Iran to continue to export oil—the revenues from which are vital to its prosecution of the war—and giving Iran a freer hand in the land war where it has the advantage.

We believe that Iraq is likely to continue attacks on Iranian oil targets—ships and other facilities—in the Gulf because the Iraqi advantage in this aspect of the war is considerable. In the absence of extremely heavy pressure by allied and friendly states, Iraq is unlikely to willingly cede the advantage to Tehran in the Gulf.

Even in the absence of Iraqi attacks, however, Iran believes US and USSR protection for Kuwaiti shipping threatens to foreclose an Iranian victory and eventually would challenge Iranian hegemony in the Gulf. For now, Iran will be more hostile toward the United States than the USSR and more willing to attack US interests. Iran is seeking a modus vivendi in the Gulf with Moscow to counterbalance the United States and to defuse the Soviet threat. Even if these efforts fail, the United States will remain the focus of Iranian efforts to reduce superpower presence and influence in the Gulf.

Tehran does not believe the United States will maintain its commitment to Kuwait in the face of sustained terrorist, diplomatic, and military pressure to force Washington to back down. Public statements by Iranian leaders clearly indicate that Tehran sees parallels between developments in the Gulf and the 1983 events in Lebanon. In Iran's view, it—with its Shia allies—forced the United States out of Lebanon. Tehran believes it can intensify American concerns about the Gulf, possibly leading to a loss of US resolve. Iranian perceptions that they have scored a string of victories against the United States is likely to make them bold in meeting the superpower threat. Failure of the superpowers to meet commitments to protect shipping in the Gulf would be a significant political victory for Iran and would almost certainly encourage the GCC states to further accommodate Iran.

Once US protective measures are implemented, Iran is likely to increase its attacks on nonescorted Kuwaiti shipping, including US-flag vessels, and also to lay more mines near Kuwait. Iran will also probe for opportunities to attack escorted US-flag ships. The Iranians probably believe that a strike—even if they suffer US retaliation—will intensify the debate in the United States on the wisdom of US involvement.

The heightened tensions in the Gulf and the chance of military action near the warships increase the immediate threat to them and to commercial ships. Most in the Community believe Iran is less likely to deliberately use Silkworm missiles against US or Soviet naval vessels, at least until Tehran has exhausted other measures to obtain its objectives. Others, while they agree that Silkworm attacks on US or Soviet warships are less likely than on commercial shipping, do not believe the Iranians perceive the Silkworm as a weapon of last resort.

We believe terrorism and sabotage will be important instruments of Iran's policy in the Gulf. The possibility that Iran will conduct terrorism against US targets—military, diplomatic, and commercial—is growing. The most likely US targets are in the Gulf and the Middle East, particularly in Kuwait and Bahrain. There is also an increased

threat to US interests elsewhere. Tehran's perceptions of serious divisions in the United States over policy in the Gulf may well lead the Iranians to risk some dramatic act that could crystallize US opinion against an expanded role in the Gulf. The Iranian decisionmaking process may also take into account the risk that the United States could inflict greater damage perhaps by assisting Iraqi war efforts.

Tehran will expect retaliation for military or terrorist attacks against superpower interests and will be able to absorb heavy punishment. Iran probably believes its ability to bear the pain of retaliation is greater than the US or Soviet willingness to inflict it.

Iran is almost certain to sponsor increased terrorism by pro-Iranian Shia dissidents against the Sunni-dominated Kuwaiti Government. Bahrain is likely to become a target for renewed Iranian subversion because of its largely Shia population and the presence of the US Middle East force.

While Moscow is warning against attacks, it is portraying itself as the more cautious and evenhanded superpower. It does this by refraining from provoking Iran, warning against a US attack on Iran, keeping its naval presence low, calling for an international agreement on shipping, and cultivating relations with the Gulf states. This approach might allow the USSR to better its political position in the Gulf, especially if Iran forgoes attacks on Soviet targets.

The Soviets would almost certainly increase their naval capability in the Gulf if Iran attacks another Soviet vessel or if Moscow interprets attacks on US ships as indication that Soviet ships are likely targets. If Iranian attacks on Soviet ships continued, Moscow would likely consider sanctions against Iran for refusing to enter peace negotiations with Iraq and impose an embargo on arms sales from Eastern Europe.

While Soviet ships would immediately respond to Iranian attacks, the Soviets are highly unlikely to retaliate against Iranian territory if Iran attacked Soviet ships. Moscow also is unlikely to take any military action, other than increased alertness, in response to a US strike against Iran, but would move quickly to try to gain political advantage.

The GCC states are concerned that superpower protection for Kuwaiti ships will provoke Iran but will not provide adequate protection for them. They are reluctant to raise the profile of their relations with the United States and are signaling Iran that they desire to ease tensions.

The GCC states' support for the protection measures would increase if they were convinced of US resolve, including Congressional and popular support, but they would still hesitate to grant basing rights or to conclude military agreements with the United States. Additional

access or basing rights would be granted only if there were sustained Iranian attacks on GCC facilities or if Iranian forces appear poised for attack on Kuwait or other Gulf states.

In the event of stepped up Iranian threats or an actual Iranian attack on US-flag shipping or a US warship, the GCC states probably would privately support a strong US response. They would expect US naval escorts to defend convoys against Iranian attacks and might privately approve of US strikes on Iranian shore targets. They probably would not endorse a preemptive US strike against the Silkworm sites, even in response to Iranian threats to employ the missiles. If the Iranians were to attack shipping with Silkworms, however, most GCC states privately would approve of a surgical US strike on the site but would oppose repeated attacks on the missile sites or other targets. If the United States were to abandon the escort/reflagging project outright, there would be a critical loss of faith in Washington's ability to meet its commitments.

Despite the shipping war in the Gulf, the vital flow of oil has not been disrupted and the oil market remains calm. Surplus capacity and government stocks provide the market with adequate protection from most potential disruptions. Limited Iranian terrorist and military attacks against Gulf oil flows, for example, probably would not have a lasting effect on the market. Many shipowners would continue to operate despite greater risk, and world surplus production capacity could offset substantial war damage to facilities; industry sources report that 30 or more empty tankers are usually at the entrance of the Gulf waiting to be chartered. The Saudis, with nearly 4 million b/d of surplus capacity, remain key to a major disruption because they alone could replace most lost supplies elsewhere in the Gulf. In the worst case, Iran could destroy unique oil processing and export equipment in Saudi Arabia and Kuwait that would take months to repair. Under these circumstances, there could be a serious disruption in world oil supplies and an increase in prices.

Iran has contingency plans to close the Strait of Hormuz to oil exports, but does not have the capability to do this for more than one to two weeks.

The increased superpower role in the Gulf is unlikely to alter significantly the overall course of the Iran-Iraq war *unless* one or both of the superpowers make a concerted effort to deny Iran the economic or military resources to continue the war. If faced with economic or military strangulation, Iran would almost certainly increase subversion in the Gulf and sponsor terrorism against countries supporting the sanctions.

DISCUSSION

Iran's Perception of the Superpower Threat

1. The risks of a US-Iranian military incident in the Gulf have risen and will increase when the Kuwaiti ship protection by the United States begins. The level of superpower activity and pressure thus far in the Gulf is unlikely to deter Iran from attacking US-flag ships or other US interests in the Gulf. Since the 1979 revolution, Iran believes that it has been successful in dealing with the superpowers, primarily by using a confrontational approach. Iran is not likely to alter its approach in the current situation in the Gulf.

2. Another major factor in any Iranian decision to attack superpower interests in the Gulf will be Iraqi action: Iraqi attacks against Iranian targets in the Gulf will trigger retaliatory Iranian strikes against Iraq and the interests of its perceived allies, particularly Kuwait and including the United States and the USSR. Far more dependent than Iraq on the continued flow of shipping in the Gulf, Iran has been consistent in trying to separate the shipping war from its land war against Iraq. So long as Iraq refrains from sustained attacks on Iranian tankers and oil facilities, we believe Tehran will be less likely to provoke clashes with other parties in the Gulf. Tehran clearly would see a cease-fire in the Gulf as a victory, allowing Iran to continue vital oil exports and giving Iran a freer hand in the land war, where Tehran believes it has the advantage.

3. Even in the unlikely event Iraq decides to refrain from attacking Iranian ships and oil facilities, Iran will decide that US and USSR protection for Kuwaiti shipping challenges important Iranian interests. An active superpower police role in the Persian Gulf would diminish the credibility of Iranian threats to use conventional military attacks to intimidate the states of the Gulf Cooperation Council (GCC). Such intimidation has been an important element in Iran's strategy to restrain concerted Arab action in support of Iraq.

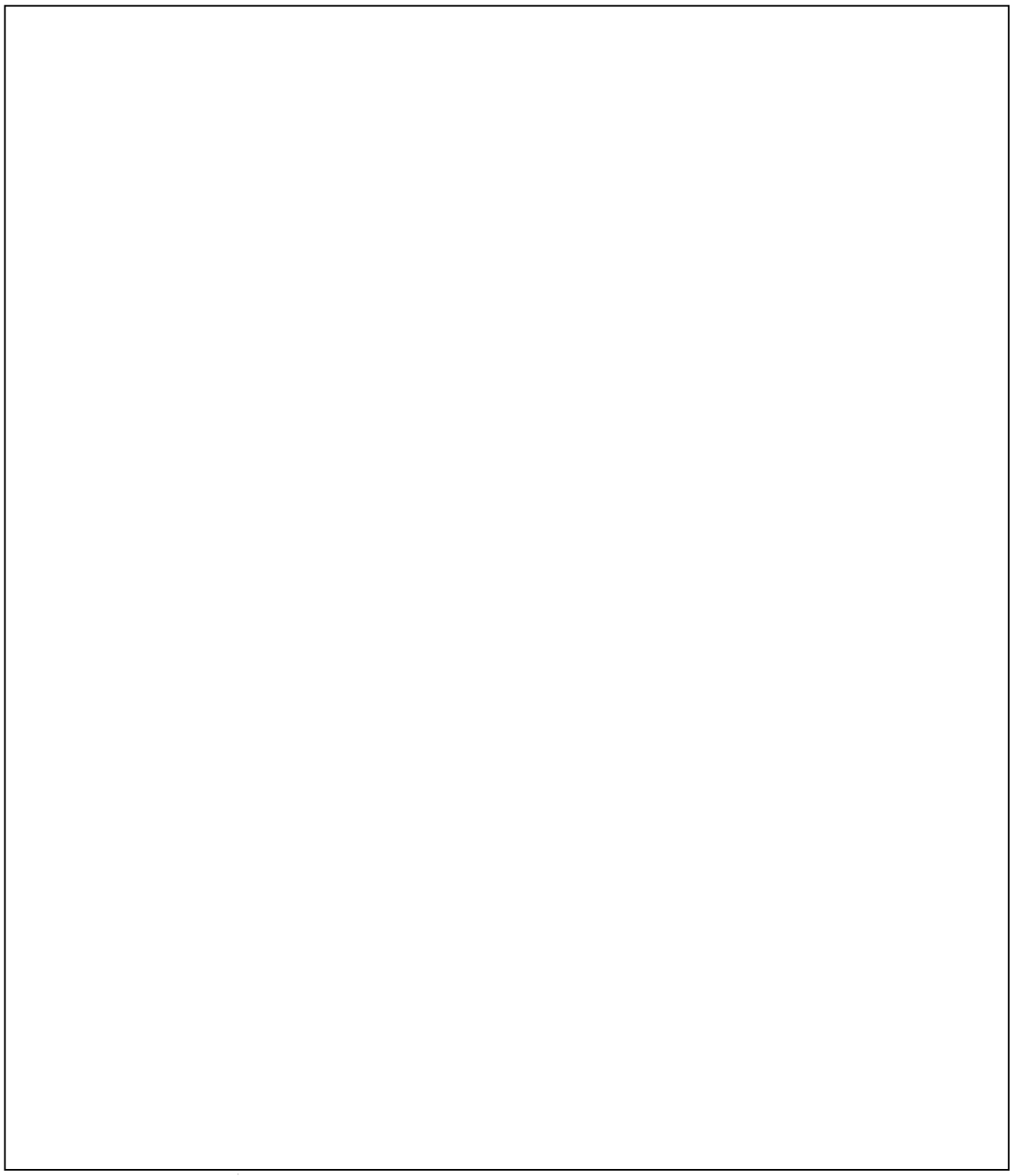
4. The fear that the superpowers, and not Iran, will be perceived as the effective power in the Gulf drives Iranian determination to block superpower intervention. In the near term, Iran fears that superpower protection of Kuwaiti ships sets a precedent that will lead to steadily expanding superpower intervention on the side of Iraq and its Arab allies. The superpower role thus threatens to foreclose an Iranian victory over Iraq and eventually to neutralize Iran's traditional aim of hegemony in the Gulf—an objective pursued by the clerics no less than by the Shah. Ideological hostility toward the United States and the USSR reinforces Tehran's geostrategic concerns; the prospect of the superpowers thwarting Iranian policies arouses an emotional reaction.

5. Tehran's history of combative posture in the face of threats, its recent hostile rhetoric, and the attack on a Soviet vessel in May suggest that Iran will attempt to bring an early end to the superpowers' protection. Iran's objectives are to:

- Force Kuwait to reduce—if not cease—its military and financial support for Iraq, and to pressure other GCC states to reduce their support.
- Intimidate other Gulf states by demonstrating that increased superpower involvement in the region risks dragging the Arabs into an expanded conflict, making them potential targets for Iranian terrorism or military action.
- Protect Iran's goal of hegemony in the region by showing that it cannot be intimidated by the superpowers.

6. Since Kuwait announced its intention to seek US and USSR protection, statements by Iranian leaders have focused on the threat to regional security posed by increased superpower activity and on Kuwait's responsibility for increasing regional tension. Even comments by Assembly Speaker Rafsanjani, who usually keeps the door ajar for some improvement in relations with Moscow and Washington, sound like the militant speeches after the 1979 revolution, when Iran seemed to welcome isolation as proof of the purity and justice of its cause. The verbal attacks are intended to influence US public opinion and to provide the rationale for hostile actions against the superpowers, as well as for increased pressure on Kuwait.

7. We believe Iran prefers to persuade the superpowers and Kuwait to back down before a military clash. Iran is acutely aware of concerns in the United States and in the Gulf about expanding conflict and



superpower involvement. Tehran will attempt to heighten these concerns with harsh propaganda, sabotage in Kuwait, and attacks on unescorted ships in the hope of weakening US resolve and provoking Congressional restrictions on US involvement. It also hopes to force Kuwait to reconsider its request for superpower protection by sponsoring terrorism against Kuwait and by isolating it diplomatically from the other GCC states on this issue. On 17 June, an Iranian ship turned its guns away from a US ship when warned to do so. The incident may indicate that, for now, Tehran is willing to test the United States but not to provoke a confrontation.

8. We believe Iranian leaders are confident they will be able to deal with the increased involvement of the superpowers in the Persian Gulf with the same instruments they have used before to deal with the GCC states and with the United States and France on hostage issues: diplomacy, military muscle flexing, and terrorism and intimidation. Iran will not indiscriminately attack US or USSR targets but will selectively use terrorism, sabotage, and conventional military action over the next few months to serve its broader political objectives.

9. For now Iran is likely to be more hostile toward the United States than the USSR. Tehran believes it has a chance to exploit the increased tensions in the Gulf to bargain with Moscow for a modus vivendi in the Gulf. If these expectations are dashed, Iran will become more antagonistic toward the Soviets. Even then, the United States probably will remain the principal focus of Iranian efforts to end superpower protection of Kuwaiti ships, unless Moscow significantly increases its military presence in the region.

10. In our judgment, Iranian leaders do not believe the United States will maintain its commitment to Kuwait in the face of sustained Iranian terrorism, and diplomatic and military efforts to force it to back down. Iranian leaders and media commentary have drawn parallels between events in Lebanon in 1983 and current developments in the Gulf. In the Iranians' view, they and their Shia allies forced the withdrawal of US military forces from Lebanon, dealing a humiliating defeat to the idea that the United States, through the projection of its military forces, could influence developments in the Middle East. The Iranians believe they have a chance to humiliate the United States again.

11. We believe the Iranians are aware of the differences between Lebanon and the Persian Gulf: the lack of plausible denial if they attack US ships, the importance of oil to both Iran and the West, and the risk of direct attacks on Iran. These differences will probably make the Iranians more cautious in their tactics but they will not alter Iran's strategic perception that the United States is working against vital Iranian interests and must not be allowed to prevail.

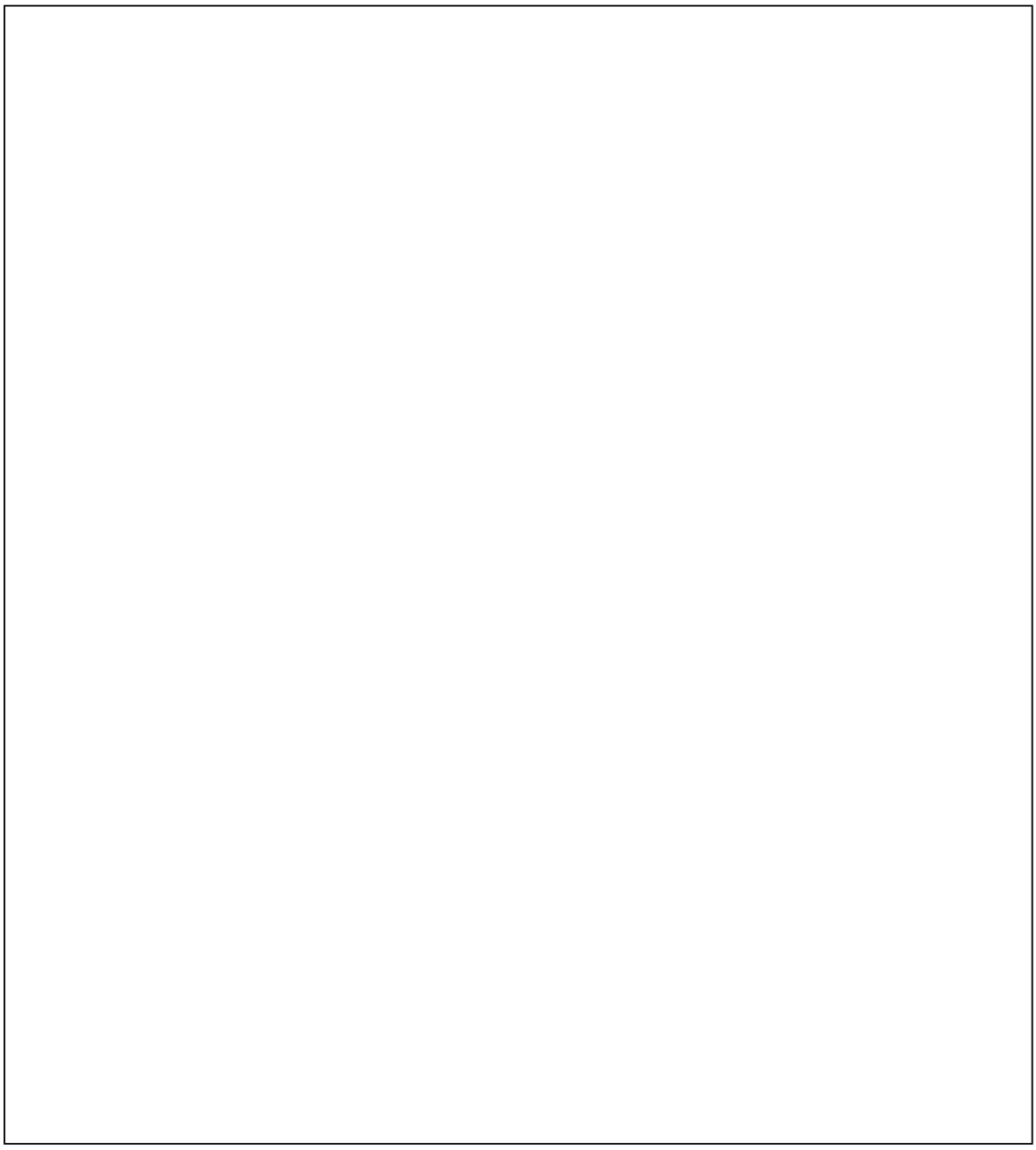
12. Tehran also is calling for negotiations to end the shipping war. Iran would welcome an agreement that separates the shipping war from the ground war. Iran hopes such an agreement would derail UN Security Council resolutions calling for a cease-fire and arms embargo, obviate superpower intervention in the Gulf, and end Iraqi attacks on Iranian ships, leaving Iran free to continue a war of attrition against Iraq on the ground. In any negotiations on navigation, we believe Iran would demand, as the first order of business, a halt to Iraqi attacks on its shipping and a Kuwaiti retraction of their request for superpower protection. Iranian leaders will portray Iran as the aggrieved party willing to negotiate; their strategy will be to maneuver their interlocutors into accepting conditions Iran has sought all along without surrendering anything beyond open-ended promises of reduced tensions and improved bilateral relations.

The View of Baghdad

13. The Iraqis appear relieved and pleased that US—and world—attention has shifted from Iraq's attack on the USS Stark to the Iranian threat in the Gulf. They welcome recent US statements on the need to end the war and are encouraged by the movement of the permanent members of the UN Security Council toward resolutions on the war that include sanctions against the side failing to end the fighting. They probably are less sanguine over the prospects of an effective arms embargo against Iran or a quick end to the war.

14. If Baghdad perceives that progress on UN Security Council resolutions and other pressure on Iran are faltering, the Iraqis are likely to resume attacks against Iranian shipping and oil facilities, including those on Khark Island. Baghdad appears to view such airstrikes as one of its few options to press Iran to end the war. The Iraqis will be fearful of accidentally attacking superpower ships and will exercise care not to do so, although the risk of another accidental attack remains.

15. Baghdad, however, almost certainly is concerned that Iran will benefit if the superpowers' attention shifts away from the Iranian threat before achieving a comprehensive agreement on the ground war or at least a UN Security Council resolution with



teeth. The Iraqis know that a de facto truce in the Gulf favors Iran. Even though Iraqi attacks in the Gulf have only slightly reduced Iranian oil revenue, Iraq uses them as retaliation for Iranian ground action, for increased economic pressure on Iran, and for keeping international attention focused on the Gulf.

The Threat to Shipping

16. If Iran's political strategy fails and the United States implements its protective measures, Iran is likely to increase its attacks on nonescorted shipping in the Kuwaiti trade. Iran may also seek out any US-flag vessels that do not take advantage of an escort. Iran probably will be content to pursue this approach for some time if the attacks fuel the debate in the United States and the Gulf about superpower intervention. The presence of a US or USSR flag on an unescorted vessel will not, in itself, deter an Iranian attack.

Figure 3. F-1 firing Exocet missile. (U)

17. There is also a threat to escorted US-flag ships, and Iran will probe cautiously for opportunities to attack them. The Iranians probably believe that a strike, even if they lose a patrol boat or aircraft or suffer US retaliation against their naval forces or other military facilities, will increase significantly the Gulf states' concern and intensify the debate in the United States on the wisdom of US involvement. Tehran expects that such a US debate would lead, over time, to a weakening of US resolve.

Figure 4. Iranian Navy patrol boat used to attack ships this year.

18. If other measures fail to achieve Tehran's objectives, Iran will be faced with a choice between accepting superpower protection as a fact or attacking escorted ships or even combatants. When Iran would make such a decision is uncertain. We believe, however, that Iran is likely to choose escalation over retreat. If Iran were backed into a corner, we believe it would be likely to strike out at escorted shipping with any assets at its disposal.

19. The risk that Iran will use its Silkworm missiles—the most formidable threat to shipping—also will increase. Most of the Community believes Iran is less likely to deliberately use Silkworms against US or Soviet warships than against commercial ships, at least until other measures have failed to achieve Tehran's objectives and Iran has suffered significant retaliation or economic reverses. Others, while they agree that Silkworm attacks against US or Soviet warships are less likely than on commercial shipping, do not believe the Iranians perceive the Silkworm as a weapon of last resort. They believe Iran may well use this missile before it suffers significant retaliation or economic reverses.

20. In addition to using the Silkworm, Iran has several other options if it decided to attack a US warship. It could:

- Attack using several F-4 jets or other aircraft.
- Use naval ships to fire Seakiller surface-to-surface missiles.
- Conduct suicide attacks using aircraft or small boats loaded with explosives.
- Conduct sabotage attacks against US ships in Gulf ports.

Any of these options, if successful, could severely damage or sink a US ship, with heavy loss of life. Such an attack would have especially high propaganda value, with the clerical regime almost certainly touting such an incident as clear evidence of Iranian predominance and US impotence in the Gulf.

The Iranian Navy and the Revolutionary Guard

21. We believe the Navy is less zealous in its support of the clerical regime, and thus is probably less willing to initiate an attack on a US ship. The religious fervor of the Revolutionary Guard and its virulent

Iranian Military Capabilities and Constraints in the Persian Gulf

Iran has the largest naval force in the Persian Gulf, but equipment and personnel problems limit its effectiveness. Nonetheless, a combination of cannibalization and innovative repairs has kept the Navy's ships and missiles sufficiently operable to pose a threat to shipping in the Gulf.

Iran's major combatants include three destroyers and four guided-missile frigates. The World War II vintage destroyers have recurring engine and equipment problems. Nonetheless, they do occasionally participate in short patrols in the Gulf and recently conducted firing exercises. The frigates are more mechanically reliable, but are plagued by frequent breakdowns of their electronic support systems, including the fire-control system for the Seakiller antiship missile. In addition, Iran has four landing ships and three resupply vessels, at least one of which carries an armed helicopter.

The Iranian Navy has over 30 patrol boats, some of which have been used in recent ship attacks. These boats also suffer from low operational ready rates. Iran has started stationing some patrol boats on board larger landing ships to increase the patrol boat's operational range.

Iran's Navy has five armed AB-212 helicopters to attack ships. These also have been stationed on landing ships. Iran can also use the airfields at Bandar-e 'Abbas and Bandar-e Bushehr for air operations against shipping. Iran's flyable, if not fully operational, aircraft inventory consists of 20 to 25 F-4s, 20 to 25 F-5s, and 10 to 12 F-14s. Not all would be stationed near the Gulf. In addition to parts shortages and equipment problems that limit the aircraft, most of the air-to-surface missiles Iran uses to attack shipping are beyond their shelf life and are of questionable operability.

The Revolutionary Guard naval forces have approximately 40 Swedish Boghammer 10.7s, 13-meter patrol craft, and three North Korean Chaho patrol boats. The aluminum Boghammers can only carry the rocket grenades and other light arms the Guard uses with them. The Chahos carry a BM-21 122-mm multiple rocket launcher. The Guard also has many other small boats, rubber rafts, and civilian aircraft that would be used for suicide attacks, sabotage, or mining operations.

Iran has several hundred moored contact mines and possibly has bottom and limpet mines in its inventory. The Navy and Revolutionary Guard probably have enough trained personnel and support equipment to sporadically conduct mining activities.

Continued shortages of equipment will prevent Iran from improving its capabilities significantly in the near term. In addition, the shortage of trained personnel, particularly technicians, further constrains Iranian naval capabilities. Despite these problems, Iran can use a variety of weapons to conduct antiship operations.

Figure 5. Silkworm missile. (U)

anti-US sentiments make them a graver threat to US ships, but there is little evidence that the Guard's naval forces are acting as a "rogue elephant" in the Gulf. The institutionalization of the Revolutionary Guard in recent years has brought Guard forces more closely under the central government's authority, improved military discipline, and led to better coordination with the regular armed forces. Other analysts, while recognizing the increasing institutionalization of the Revolutionary Guard, do not entirely discount the possibility that a local Revolutionary Guard commander might act independently to attack a US-flag ship, especially as any confrontation heats up.

The Terrorist Threat

22. We believe sabotage and terrorism will be important elements of Iran's efforts to achieve its

objectives in the Gulf. For some Iranian leaders, sabotage and terrorism will be the preferred methods of dealing with Kuwait and the United States and, if ultimately necessary, with the USSR. Terrorism and sabotage offer some degree of plausible denial and present target countries with a less clear-cut justification for retaliation. Iran, remembering the precedent of Lebanon, probably believes terrorism and sabotage are more likely than military attacks to break the resolve of the target countries.

23. Iran is almost certain to sponsor increased terrorism and sabotage against the Sunni-dominated Kuwait Government, possibly including the assassination of Kuwaiti officials or targeting of key installations such as desalinization plants and oil facilities. Iran would hope such acts would intimidate the Kuwaitis into withdrawing their request for superpower protection and rethinking their support for Iraq. The Iranians also appear to believe terrorism will foster sectarian divisions, destabilize Kuwait, and create conditions for the overthrow of the government. The recent spate of bombings by pro-Iranian Shias has already heightened sectarian tensions, but is unlikely to threaten the government in the short term.

24. Bahrain also is a probable target for renewed Iranian subversion because of its largely Shia population and the presence of the US Middle East Force. Bahraini officials have reported cells of pro-Iranian Shias in Bahrain. They probably cannot pose a serious near-term threat to the regime's survival, but they could create serious security problems by conducting terrorist operations similar to the recent bombings in Kuwait.

25. There is a growing possibility that Iran will conduct or sponsor terrorism against US and Soviet targets. The threat to the United States is greater. Iranian leaders will weigh the impact that terrorist acts have on US public opinion, hoping to weaken public support for US activities in the Gulf. The most likely US targets for Iranian terrorism are in the Persian Gulf and the Middle East, but there will be an increased threat to US interests elsewhere.

26. Because of the Iranian sensitivity to currents in US politics, the controversy in the United States over protecting Kuwaiti ships is likely to reinforce Iranian boldness. Assembly Speaker Rafsanjani and other leaders have noted the debate in the United States over involvement in the Gulf. The Iranian perception of serious divisions in the United States over policy in the Gulf will help create an atmosphere for some dramatic act against the United States to crystallize US opinion against an expanded role in the Gulf.

The United States in the Gulf: Likely Terrorist Targets

US facilities and personnel in the Persian Gulf offer Iran a variety of targets if Tehran decides to wage a terrorist campaign to get the United States out of the Gulf. We believe Tehran or its surrogates in the Gulf would probably prefer to attack a facility that housed or hosted US servicemen. Iranian officials and leaders of pro-Khomeini extremist factions in Lebanon have made pointed reference in recent speeches to the October 1983 bombing of the Marine barracks in Beirut, which they credit with forcing the United States out of Lebanon.

We believe the greatest risk to US interests is in Kuwait, where Iran and its surrogates have already demonstrated their capability to conduct terrorist operations. Security at the Embassy in Kuwait has been improved since the 1983 bombing by several measures, including the construction of a cement wall, but Shia extremists have shown themselves to be inventive in finding new ways to attack seemingly secured facilities. Terrorists could attempt to hijack an American, Kuwaiti, or Gulf airliner in order to take US passengers hostage; two USAID officials were killed during a similar operation in December 1984. They could also single out US military advisers (serving with USLOK) or civilians working for US or local companies.

The most obvious US target in the Gulf states after Kuwait are the military facilities provided to the United States in Bahrain and, to a much lesser extent, in Dubayy. The USS Stark and the USS Acadia are currently in port; in addition, Bahrain permits the Middle East Force and CENTCOM to use facilities, dubbed the Administrative United, as a base for storing equipment and as a virtual home port. Dubayy, which has a heavy concentration of Iranians, allows the United States use of drydock facilities and occasional ship visits. Nearly 50,000 Americans—government, military, and civilian employees—live in Saudi Arabia, but the risk to them from Iranian terrorism is probably slight, given stringent Saudi security measures.

Iranian Reaction to Superpower Retaliation

27. In our judgment, Iranian leaders will expect retaliation by either of the superpowers for Iranian military or terrorist attacks against their interests that are directly attributable to Iran. Although Iranian leaders will weigh carefully the probable superpower reaction, they probably calculate that a nation that has suffered massive damage and over 700,000 casualties in the war with Iraq will be able to absorb the punishment the United States or the USSR would be likely to inflict. We believe Tehran would consider destruction comparable to the US strike against Libya as an acceptable risk.

28. Iranian leaders may seriously miscalculate their ability to manipulate events. Their view is shaped by the perception of a string of Iranian successes against Tehran's enemies: they ousted the Shah; forced an end to the US military presence in Lebanon; beat back the Iraqi invasion of 1980 and took the fight to Iraqi soil. This perception is almost certain to incline Iranian leaders to boldness in dealing with the superpowers, Kuwait and the GCC states, and Iraq.

Soviet Intentions and Capabilities

29. The Soviet decision to assist Kuwait reflects the activism of Soviet foreign policy under Gorbachev and was meant as a message for various players in the region:

- It demonstrated to the GCC states that the Soviet efforts in recent years to increase and improve relations are serious and that Moscow is willing to shoulder new responsibilities as part of this effort, even as the United States seems to be having second thoughts.
- It signaled to Iran that Moscow did not believe the near-term prospects for improved relations with Iran were high enough to offset their interest in bolstering Iraq and increasing the Soviet role in the Gulf.
- It let the United States know that the USSR is going to play a more active role in the Persian Gulf, where Soviet influence has been limited and where US interests and influence have been primary.

30. The Soviet leadership almost certainly perceived this course as risky, but several factors probably led the Soviets to think the risks were limited:

- Iranian military capability to interdict shipping is limited.
- Soviet experience with Iran probably led Moscow to believe that Iran does not want a confrontation with the USSR.
- The Soviets probably think they can manage effectively the public dimension of their Gulf involvement—keeping it quiet and mitigating the pressures to react to less provocative challenges.

31. Recent developments—the attack on the USS Stark and particularly the increased US military role—have probably increased the risks for Moscow by focusing attention on superpower involvement. But Gorbachev and company probably believe that the Soviets are less exposed than the United States and that the USSR is better placed to improve its position:

- Moscow can use its lower military profile to enhance its image as a "peacemaker" and to draw a sharp contrast with the United States. This would be especially true should Iran goad the United States into an attack.
- The Soviet acceptance of Tehran's request for a visit by Deputy Foreign Minister Vorontsov indicates Moscow's ability to talk with both sides and Moscow's desire to play a role in any settlement.

32. Moscow seems reluctant to press Baghdad and would not want to get ahead of the Gulf states by appearing to be too accommodating to Iran. At the same time, however, Moscow has attempted to avoid provoking Iran. It has kept its naval presence low, and Soviet officials in their public comments have largely avoided direct threats to Iran.

33. Moscow is unlikely to augment its naval forces in the Gulf solely in response to an increased US naval presence. The USSR may, however, feel compelled to respond—perhaps by deploying intelligence collection ships or combatants to monitor US forces—should it perceive that the level of US forces in the Gulf far exceeds that necessary to protect Gulf shipping.

34. The Iranians may be interested in having the Soviets mediate the Gulf shipping war. The Iraqis state that a cease-fire in the shipping war is unacceptable except as part of a comprehensive peace, but they might compromise somewhat in return for greater Soviet and international pressure on Iran to agree to negotiations. Iraq probably would demand in return a more effective arms embargo against Iran and a UN Security Council resolution on the war that includes sanctions against the side refusing to end the fighting.

35. Iran and the USSR have incentives for continuing the dialogue, even without an end to the shipping war. It offers Tehran the chance to avoid taking on both superpowers at once, although Iran would remain fundamentally hostile to the USSR's presence in the Gulf. At the same time, the Soviets would be a counter to the United States—the real threat to Iranian dominance and the superpower most likely to engage in hostilities with Iran if the Kuwaiti agreement remains in force.

36. The USSR's opportunities in Iran could increase if the United States becomes involved in military clashes with Iran while the Soviets avoid such inci-

dents. A US attack on Iranian territory, whether preemptive or in response to an Iranian attack on a US target, is almost certain to foreclose a rapprochement between Iran and the United States for the foreseeable future.

37. The Soviets have indicated their willingness to cooperate with the United States in securing passage of a UN Security Council resolution on the Iran-Iraq war calling for a cease-fire. Moscow has been reluctant, however, to use sanctions against Iran if it refuses to join a cease-fire.

38. There is only a slim chance that Moscow will cooperate with the United States to protect Gulf shipping, even though a multilateral arrangement would have some advantages for the Soviets. Such an arrangement would improve the safety of Soviet merchant ships at little cost to the Soviet Union; the damage to Soviet prestige from a successful Iranian attack would be shared by others; greater legitimacy would be conferred on the Soviet presence in the Gulf; and such a proposal, if made publicly, would put the onus on Washington to justify a refusal. Moscow thus far has sharply contrasted its actions in the Gulf with US policy, however, and we believe the Soviets would be reluctant to link their political fortunes in the Gulf to Washington.

39. The USSR currently has three minesweepers operating in or near the Gulf. These ships have limited combat capability and would have difficulty defending against Iranian air or naval strikes. In addition to the minesweepers, a Soviet frigate and cruiser recently joined the Soviet Indian Ocean squadron, and are available for duty in the Gulf.

40. Moscow almost certainly would increase its naval capability in the Gulf if Iran attacks another Soviet vessel. The Soviets would probably judge that the political benefits of a low-profile naval presence would be outweighed by the need to better protect their Gulf shipping. Moscow probably would replace the minesweepers with more capable ships. Moscow is unlikely under any forseeable circumstances, however, to receive basing rights from any of the Gulf states. If Iran continued to attack Soviet ships after Soviet protests and a naval buildup, Moscow might publicly endorse sanctions against Iran and impose an embargo on arms sales from Eastern Europe.

41. While Soviet ships would respond immediately to Iranian attacks, the Soviets would be highly unlikely to retaliate against Iranian territory. Naval gunfire against Iran or—even more severe—a surgical airstrike would set back Soviet efforts to improve relations with Iran in the near term and probably even after Khomeini dies. Moscow also is unlikely to respond militarily to a US strike against Iranian territory but would emphasize its own peaceful approach in an attempt to win political capital in Iran and the Gulf states.

Impact of the Iranian Power Struggle

42. Domestic political considerations may encourage a confrontational approach by Iranian leaders in dealing with the superpowers, especially the United States. The dominant coalition led by Rafsanjani, while prepared for confrontation, will try to achieve Iran's objectives through measured responses and will consider the views of those wanting to end the war. The coalition must also be responsive to others who would see a confrontation with the superpowers in the Gulf as kindling popular nationalistic fervor for the regime. Ayatollah Khomeini will guide overall policy on this issue and keep factional discord at a minimum, but he will press for aggressive prosecution of the war.

The Role of the Gulf States

43. Kuwait sought US and Soviet naval protection to deter Iranian attacks on Kuwait-bound shipping generally, and, specifically, attacks on the most vulnerable ships in Kuwait's merchant fleet. Kuwait probably believed that an increased US and Soviet presence in the Gulf might induce Baghdad and Tehran to scale down or even to abandon the tanker war. The ships to be protected include gas carriers and large product carriers for the European and Asian runs and additional carriers that could be used for a Kuwait–Khor Fakkan shuttle run if necessary.

44. Kuwait is not likely to curtail its support for Iraq or to renounce its deal to secure US and Soviet protection, despite increasing Iranian pressure. The government's death sentence against several Shias convicted in early June for bombings of oil facilities and heightened security measures have increased tension between Shias and Sunnis, a development Iran will try to exploit. If terrorism fails to change Kuwait's policies, Iran may be prepared to launch air attacks against Kuwait. Iranian aircraft bombed a Kuwaiti oil installation in 1981.

45. Saudi Arabia privately has urged the United States not to cut and run, has endorsed the Kuwaiti reflagging effort, and has indicated that the Gulf states might consider assisting the US effort. Nonetheless, Riyadh fears that increased superpower presence would lead to a growing militarization of the region

and draw the Saudis more directly into the war. Iran has continually tried to convince the Saudis to press Iraq to end attacks on Iranian ships and has pressed Kuwait to abandon its request for superpower protection.

46. Other GCC members have reacted cautiously to the increased superpower role in the region. The smaller Gulf states privately say they appreciate Washington's willingness to help protect Gulf shipping and have endorsed Kuwait's effort to protect its ships, but they are reluctant to raise the profile of their [illegible] hip with the United States. They are concerned that US protection of Kuwaiti tankers will provoke Iran and not provide sufficient US protection for them. Even so, they would look to the United States for increased support if confronted with Iranian attacks against their shipping and oil facilities.

47. Most Gulf states are signaling Tehran their desire to ease tensions, and some have taken steps to improve relations with Iran. Iran is exploiting GCC fears to persuade the Gulf states to distance themselves from Kuwait and Iraq. If Iran were to mount an isolated air attack against facilities in Kuwait or in other GCC states, we believe there would be little GCC reaction other than pro forma public protests. None of the militarily weak GCC states would launch counterstrikes. The GCC states, however, probably would seek further assurances of US support if they believed Tehran were likely to intensify attacks.

48. The GCC states will watch closely for evidence that the United States continues to support the reflagging project. Public support of Saudi Arabia and most of the other GCC states for the project would improve markedly if they were convinced that the United States were committed to guaranteeing their security. They would still hesitate, however, to assume a high profile by granting access or basing rights to US forces or entering into military agreements with the United States. Additional access or basing rights would be granted only if there were sustained Iranian attacks on GCC facilities or if Iranian forces appear poised for imminent attack on Kuwait or other Gulf states.

49. In the event of stepped-up Iranian threats or an actual Iranian attack on US-flag shipping or a US warship, the GCC states probably would privately support a strong US response. They would expect US naval escorts to defend convoys against Iranian attacks and might privately approve of US strikes on Iranian shore targets. They probably would not endorse a preemptive US strike against the Silkworm sites, even in response to Iranian threats to employ the missiles. If the Iranians were to attack shipping with Silkworms, however, most GCC states privately would approve of a surgical US strike on the site but would oppose repeated attacks on the missile sites or other targets.

50. Except for Kuwait, most GCC states would prefer to put the reflagging project in abeyance or limit the number of sailings if a face-saving mechanism can be found. They would strongly oppose, however, a public US decision to shelve the project entirely because this would be seen as bowing to Iranian pressure. They would welcome diplomatic initiatives to induce Baghdad and Tehran to abandon the tanker war or to end the conflict. In the Gulf states' view, this would deescalate regional tensions and permit the United States to abandon the reflagging project without a loss of credibility. If the United States were to abandon the project outright, there would be a critical loss of faith in Washington's ability to meet its commitments.

51. The GCC states would probably be relieved if Moscow were to quietly back out of its commitment, although Kuwait would regret the loss of leverage on US policy it believes it gets from the Soviet presence.

52. Improved relations with Oman is Iran's most recent success in its efforts to drive a wedge between Iraq and the GCC states. A senior Omani official visited Tehran in mid-May, resulting in an agreement to develop jointly a gasfield in the Strait of Hormuz and to establish a telecommunications link. Following the visit, the Omani official said that Washington should neither break nor implement the agreement with Kuwait, arguing that the reflagging would goad Tehran into taking more aggressive action against the Gulf states.

53. The UAE, which has a sizable Iranian community, is anxious to maintain its lucrative commercial ties to Tehran. An Iranian attack on a UAE oilfield last fall exposed the Emirates' vulnerability to Iranian attack and has confirmed their inability to confront Iran. Bahrain may also be moving toward easing tensions with Iran. Bahrain is concerned that its largely Shia population and the presence of the US Middle East Force make it a prime target for Iranian subversion.

54. Iran will interpret the GCC states' attempts to reduce bilateral tensions as validating its policy of intimidating smaller Council states to persuade them to distance themselves from Iraq. Their favorable response to Iranian overtures and reluctance to endorse increased superpower involvement in the Gulf

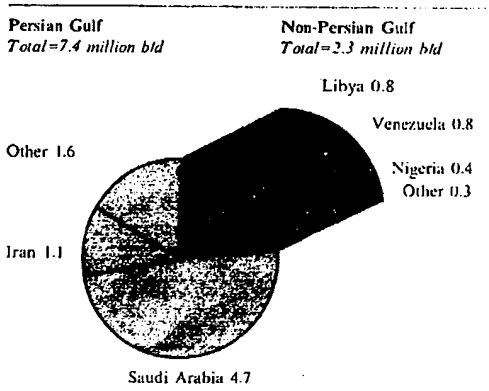
will increase Tehran's confidence. The Gulf states' caution probably will encourage Iranian boldness. Iran probably believes that heightened tensions will force the Gulf Arab states to choose between accepting even greater superpower protection or accommodation with Iran. Tehran seems to believe they will opt for accommodation.

55. If the United States is perceived as failing to follow through on its promise to protect Kuwaiti shipping, the Gulf states will point to a lack of US resolve. If the United States becomes engaged in hostilities with Iran but fails to moderate Iranian behavior, the GCC will blame the United States for expanding the Iran-Iraq war and for ineffectualness. In either event, the Gulf states probably will be more inclined to keep their distance from the US military presence, to ease tensions with Iran, and to improve relations with the USSR.

The Threat to Oil Exports

56. Despite the shipping war in the Gulf, the vital flow of oil has not been disrupted, and the oil market remains calm. Surplus capacity and government stocks provide the market with adequate protection from most potential disruptions. Limited Iranian terrorist and military attacks against Gulf oil flow probably would not have a lasting effect on the market. Many shipowners would continue to operate despite greater risk, and world surplus production capacity could offset substantial war damage to facilities. Industry sources report that 30 or more empty tankers are usually at the entrance of the Gulf waiting to be chartered. The Saudis, with nearly 4 million b/d of surplus capacity, remain key to a major disruption because they alone could replace most lost supplies elsewhere in the Gulf.

Figure 6
OPEC: Excess Capacity, May 1986



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57. Tehran is likely to escalate its attacks on tankers in the Gulf if Iraq launches sustained and effective attacks on Iran's oil export or domestic refining system. In addition, the level of Iranian attacks would be influenced by other developments: a weakening of oil prices, increased Iraqi exports, or an increase in Arab assistance to Iraq could raise the Iranian threat to oil flows. Therefore, the Iranian threat is likely to grow as Iraq increases exports this fall by using additional pipeline capacity through Turkey; expansion of the Iraqi-Saudi pipeline is also scheduled to be completed by 1989.

58. Iran is unlikely to attempt a major disruption in oil exports from the Gulf, such as closing the Strait of Hormuz, unless its own exports are reduced substantially. However, Iran has developed contingency plans to disrupt the flow of oil from the Gulf. These plans reportedly call for the use of most or all of Iran's naval forces and a sizable portion of its Air Force. The effort is likely to include systematic attacks on critical oil installations throughout the Gulf, such as those in Kuwait and Saudi Arabia, and the use of Silkworm missiles against shipping in the Strait of Hormuz. We believe the condition of Iran's naval and air forces makes it doubtful they could accomplish their mission for more than a week or two, even if unopposed. In the worst case, Iran could destroy unique oil processing and export equipment in Saudi Arabia and Kuwait that would take months to repair. If this happened, there could be a serious disruption in world oil supplies and an increase in spot prices.

59. Actual supply shortages are not necessary, however, to spark large jumps in spot oil prices. A significant increase in the number or effectiveness of Iranian tanker attacks or a widening of the war could create enough uncertainty in the market to boost spot prices by at least several dollars.

Implications for the Iran-Iraq War

60. The increased superpower role in the Gulf is unlikely to alter significantly the overall course of the Iran-Iraq war *unless* one or both of the superpowers engage in a campaign to deny Iran the economic or military resources to continue the war. Total US and

USSR success in protecting the Kuwaiti ships would not significantly change Iran's military position. Iraq will be able to increase its attacks on Iranian ships with less concern about Iranian retaliation against shipping, but increased Iraqi attacks on shipping alone are likely to have only a marginal effect on Iranian oil exports. Tehran will compensate for any increase in Iraqi attacks on shipping alone, and for Iran's diminished ability to attack Soviet- and US-flagged ships in the Gulf, by increasing attacks on other ships serving Kuwait. These developments will not affect the ground war.

61. Limited military action by the United States or the USSR against Iran, such as strikes against Iranian land targets including naval facilities or ports, is unlikely to have significant impact on the ground war. Such attacks, in fact, are likely to stiffen Tehran's resolve to continue the war and to punish Iraq.

62. The adoption of UNSC resolutions now under informal consideration would strengthen the superpowers' hand in dealing with Iran. Its key provisions provide for a comprehensive cease-fire and withdrawal of forces to internationally recognized boundaries. Consultations have included discussion of a provision for sanctions against the party that refused to comply. The adoption of a resolution approved by the United States and the USSR and containing sanctions would enhance the prospects for an effective arms embargo against Iran. It would also signal Iran that international opinion was turning decidedly against it.

63. Iran is likely to pursue the ground war unless it is deprived of the economic or military resources to continue. Denying Iran oil revenues or imposing a total arms embargo could severely limit Iran's ability to fight the war and ultimately force the regime to reconsider its policy, but Iran still would be unlikely to seek a formal peace through negotiations. Iran would husband its resources with the intention of continuing to fight Iraq as long as possible.

64. Tehran would be likely to expand substantially its efforts to promote terrorism and destabilization throughout the Gulf before it would accept economic or military strangulation at the hands of Iraq or the superpowers. Iran would increase its support for anti-Iraqi Kurds and probably attack Baghdad and Iraqi oil facilities with Scuds. Iran also would increase support for Shia dissidents in Kuwait and probably promote dissidence among Shias in other Gulf countries. There would be a high probability of terrorism against countries supporting anti-Iranian economic or military actions, possibly including terrorist acts inside the United States.

65. The regime would derive some benefits if foreign countries attacked Iranian territory. At least initially, this would rally the populace behind the regime and probably make Iranians more willing to endure hardships to continue the war at whatever level possible.

66. Iran's call for negotiations on navigation and the free flow of oil is designed to serve Tehran's war policy. Iran would welcome a cease-fire in the shipping war. Iran is more vulnerable in the Gulf than Iraq because Iraqi attacks threaten Iran's oil lifeline. Tehran probably also is trying to draw the USSR into a dialogue on the shipping war as one means of forestalling US-USSR cooperation against Iran. Iran's call for talks on the shipping war does not indicate Iran has doubts about continuing the war or is ready to negotiate a comprehensive peace.

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